

Message Text

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ACTION AF-10

INFO OCT-01 EUR-12 EA-07 ISO-00 SSO-00 NSCE-00 USIE-00
INRE-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 OES-07 SP-02
SS-15 STR-04 TRSE-00 ACDA-07 /113 W
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O R 091415Z AUG 77
FM AMEMBASSY LAGOS
TO SECSTATE WASHDC IMMEDIATE 2774
INFO AMEMBCCSSY LONDON
AMEMBASSY VIENNA
AMEMBASSY TOKYO

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E.O. 11652: N/A
TAGS: ENRG, NI
SUBJECT: U.S. IMPORTS OF NIGERIAN CRUDE IN MAY 1977

REF: A) LAGOS 8826; B) LAGOS 8681; C) STATE 177852 (ALL NOTAL)

1. REASON FOR SUDDEN DROP IN U.S. IMPORTS OF NIGERIAN CRUDE
IN MAY ARE OVERHTCICING ON NIGERIAN SIDE AND INVENTORY GLUT ON
U.S. SIDE. MAY DECLINE WOULD APPEARFUPO BE A COUNTERBALANCE TO
ABNORMALLY HIGH U.S. IMPORTS OF NIGERIAN CRUDE IN FEBRUARY, MARCH
AND APRIL, RATHER THAN THE BEGINNING OF A NEW TREND AWAY FROM
RELIANCE ON U.S. MARKET. TAKEN TOGETHER, MAY AND APRIL IMPORTS
AVERAGE OUT TO FIGURE WHICH IS CLOSE TO OVERALL 1976 AVERAGE.
HOWEKLVMVER, IT IS POSSIBLEJTHAT U.S. IMPUTS OF NIGERIAN CRUDE WILL
REMAIN DEPRESSED THROUXYOUT REST OF Y YEAR, NO BECAUSE OF NIGERIAN
SHIFT TO NEW MARKETS, BUT BECAUSE OF NIGERIAN PRICE AND PRODUCTION
RESTRICTION POLICIES REPORTED REFTEL A, COMBINED WITH CONTINUED
N
HIGH LEVEL OF U.S. STOCKS.
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2. IT DIFFICULT TO ASCERTAIN WHO ABSORBED THE DIFFERENCE BETWEEN
THE SHARE OF MAY EXPORTS WHICH THE U.S. WOULD HISTORICALLY HAVE
BEEN EXPECTED TO PURCHASE AND THE VOLUME IT ACTUALLY DID IMPORT.
FROM JANUARY 1975 THROUGH APRIL 1977, NIGERIA EXPORTED AN AVERAGE
OF 2,045,923 BARRELS PER DAY (B/D). IN THE SAME PERIOD, U.S.
IMPORTS OF NIGERIAN CRUDE AVERAGED 1,144,400 B/D, EQUIVALENT TO

56 PERCENT OF TOTAL EXPORTS. APPLYING THIS SAME PERCENTAGE TO NIGERIA'S MAY EXPORTS OF 2,207,955 B/D, THE U.S. WOULD NORMALLY HAVE IMPORTED 1,236,455 B/D. THE DIFFERENCE BETWEEN THIS AND ACTUAL U.S. IMPORTS OF 829,000 IS 407,455 B/D, A SUBSTANTIAL QUANTITY FOR WHICH TO FIND ALTERNATE BUYERS IN A DEPRESSED MARKET.

3. HEADS OMGALL OF LARGEST PRODUCING COMPANIES IN NIGERIA SAY THEY HAVE NO IDEA WHERE OIL U.S. DID NOT BUY COULD HAVE GONE. MUCH OF IT MAY SIMPLY BE AFLOAT ON THE HIGH SEAS. ASSUMING AVERAGE TANKER OF 100,000 DWT, WITH CARGO OF 700,000 PLUS BARRELS OF NIGERIAN CRUDE, THE 400,000 ODD BARRELS PER DAY OF MAY EXPORTS IN QUESTION WOULD HAVE FILLED 18 VESSELS. THERE WERE REPORTS AS EARLY AS LATE MAY AND EARLY JUNE OF 13 CARGOS AFLOAT WITHOUT BUYERS, AND TOTAL NOW SAID TO BE AS MANY AS 26.

4. IN REALM OF SPECULATION, IT POSSIBLE JAPANESE MAY HAVE PURCHASED SOME EXCESS NIGERIAN CRUDE FOR THEIR STRATEGIC STORAGE PROGRAM DESCRIBED IN ARTICLE ON PAGE 9 OF INTERNATIONAL OIL DEVELOPMENTS OF JULY 13. IOD ARTICLE MENTIONS THAT C. ITOH COMPANY IS AN IMPORTANT PART OF JAPANESE GOVERNMENT/INDUSTRY STOCKPILING COMPANY FORMED FEBRUARY 1977. C. ICHWSQSO PARTNER WITH CIYODA ENGINEERING IN WINNING CONTRACT FOR KADUNA REFINERY IN NORTHERN NIGERIA. ALTHOUGH TRADE PRESSX TATED CHIYODA RECEIVED PAYMENT IN CASH, WE HAD HEARD RUMORS EARLY THIS YEAR THAT JAPANESE HAD SWEETENED THEIR BID BY OFFERING TAKE FULL PAYMENT IN CRUDE OIL. AT THAT TIME, ALL NIGERIAN GOVERNMENT-OWNED CRUDE COMMITTED, BUT SUPPLUS IN LIMITED OFFICIAL USE

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MAY COULD HAVE AWAKENED NIGERIAN INTEREST IN SUCH A PROPOSAL. EMBASSY ALSO UNDERSTOOD FROM KOREAN NAMED DOUGLAS RHEE OF REEMONDE INTERNATIONAL CORPORATION, 1 ROCKEFELLER PLAZA, NEW YORK, WHO VISITED LAGOS IN LATE MAY, THAT HE EXPLORING PURCHASE OF AS MUCH AS 300,000 B/D OF NIGERIAN CRUDE ON BEHALF OF JAPANESE REFINERY FOLLOWING FIRE AT ABQAIQ IN SAUDI ARABIA. WYMAN

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Copy: SINGLE
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Disposition Approved on Date:
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